



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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July 11, 2005

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SUBJECT: July 10, 2005 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$982.7 million in the June 11–July 10, 2005 collection period. Tax payments were \$143.2.0 million (12.7 percent) less than the estimate for the period. The majority of the variance, however, was again due to special factors. Once again we missed on the timing of refunds. The June forecast assumed that the refunds associated with the State Supreme Court decision that abolished the estate tax would be issued in July; instead they were issued June 30th. Excluding these refunds (\$153.9 million), collections were \$10.7 million, 1.0 %, above the estimate in the June 11–July 10 collection period. Real estate excise tax, property tax, estate (excluding refunds), cigarette tax and a variety of other taxes were above the estimate for the month. Revenue Act (retail sales, business and occupation, use and public utility) taxes and liquor taxes were less than expected for the period. Special factors aside, revenue collections this period continue to indicate a strong and growing economy.

Economic indicators as well as revenue collections have been generally positive. U.S. payroll employment was up 146,000 in June. While this was less than most economist had expected, the April and May employment numbers were revised upward and the unemployment rate fell to 5.0 percent, the lowest level since August 2001. In addition, the Conference Board reported that its Index of Consumer Confidence increased in June to a three year high. Less bullish was the Conference Board's report that the U.S. Index of Leading Indicators fell in May following a revised no-change in April. This index has now declined or remained unchanged for the last five months, suggesting slower growth ahead.

Revenue Act collections were \$7.2 million less than expected this month. Although payments were little weaker than expected, Revenue Act growth was still quite healthy and continues to outpace income growth. Revenue Act receipts were 7.3 percent higher than a year-ago in the June 11 – July 10 collection period (primarily reflecting May 2005 business activity). Revenue Act tax payments increased 10.7 percent last month and were up 7.9 percent two months ago. Revenue Act collection growth has averaged a remarkable 8.6 percent over the last three months and has averaged 7.9 percent higher than a year ago in last twelve months.

Preliminary industry data for the June 11, to July 10, 2005 collection period based on payment data of 12,500 taxpayers who filed electronically show solid growth across-the-board. Businesses in the retail trade and food services sector reported a 7.3 percent increase in tax payments. Last month retailers reported a 6.1 percent gain. All retail NAICS sectors, with the exception of motor vehicles and parts retailers, reported increases. Double digit gains were reported by electronics and appliance stores (+33.1 percent), building materials/hardware stores (+13.5 percent), apparel and accessories retailers (+12.0 percent), and general merchandise retailers (+10.7 percent). Motor vehicles & parts retailers, the largest retailing sector, reported a 0.6 percent decline in tax payments; last month this sector reported a 4.3 percent increase. Overall, tax payments by non-retail trade and food services business were 9.4 percent higher than a year ago. Last month this category reported a 7.0 percent increase. As was the case last month, all major sectors increased. Sectors with double digit increases include: construction (+12.9 percent), finance and insurance (+12.8 percent), information (+12.8 percent), transportation and warehousing (+12.0 percent), utilities (+11.9 percent), and management, education and health services (+11.8 percent). The strong real estate market continues to influence overall spending. Construction/real estate related sectors (construction, building materials/hardware, furniture and home furnishings, electronics and appliances) grew much faster (+11.7 percent) than other sectors (+7.5 percent) as has been the case for fourteen of the last fifteen months.

Because the estate tax related refunds (\$153.9 million) were issued this month instead of next month as assumed in the forecast, non-revenue act General Fund taxes were \$136.2 million less than the estimate for the month. This is solely due to timing and the large negative variance will be offset next month. Excluding these refunds, non revenue act taxes were \$17.7 above the estimate for the month. Higher than expected real estate excise tax (+\$6.7 million), property (+\$8.0 million), and a variety of "other" revenue sources (+\$4.0 million) accounted for most of the positive variance.

Mortgage rates have remained lower than expected in the June forecast contributing to another stronger than expected month for real estate activity and real estate excise tax payments. Taxable activity (based on closings in May which reflect tax payments to the state in June was 28.4 percent higher than a year-ago. Last month activity was up 27.7 percent and two months ago it increased 35.6 percent. The majority of the increase was again due to an increase in the value per transaction (14.9 percent) however, growth of transactions was also strong (+11.7) for the month. Last month the average value per transaction increased 27.5 percent while the number of transactions was up only 0.2 percent.

Department of Licensing General Fund-State collections, which primarily reflect payments of various licenses and fees, were \$208,000 above the estimate for the month.

The attached Table 1 provides a comparison of collections with the June 2005 forecast for the June 11 – July 10, 2005 collection period and cumulatively since the June 2005 forecast. The variance for the month and the year-to-date are virtually identical in Table 1 because the monthly estimates based on the June 2005 forecast have been adjusted to reflect actual collections through June 10, 2005. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

TABLE 1
Revenue Collection Report
July 10, 2005 Collections Compared to the June 2005 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
June 11 - July 10, 2005				
Department of Revenue-Total	\$1,120,682	\$977,255	(\$143,427)	-12.8%
Revenue Act** (1)	742,690	735,511	(7,180)	-1.0%
Non-Revenue Act(2)	377,992	241,745	(136,247)	-36.0%
Liquor Sales/Liter	10,927	8,562	(2,365)	-21.6%
Cigarette	4,525	5,232	707	15.6%
Property (State School Levy)	274,045	281,999	7,954	2.9%
Estate	1,201	(151,998)	(153,198)	NC
Real Estate Excise	66,169	72,867	6,698	10.1%
Timber (state share)	0	0	0	NA
Other	21,124	25,082	3,957	18.7%
Department of Licensing (2)	5,282	5,490	208	3.9%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,125,964	\$982,746	(\$143,218)	-12.7%
Cumulative Variance Since the June 2005 Forecast (June 11, 2005 -July 10, 2005)				
Department of Revenue-Total	\$1,120,682	977,255	(143,427)	-12.8%
Revenue Act** (3)	742,690	735,511	(7,180)	-1.0%
Non-Revenue Act(4)	377,992	241,745	(136,247)	-36.0%
Liquor Sales/Liter	10,927	8,562	(2,365)	-21.6%
Cigarette	4,525	5,232	707	15.6%
Property (State School Levy)	274,045	281,999	7,954	2.9%
Estate	1,201	(151,998)	(153,198)	NA
Real Estate Excise	66,169	72,867	6,698	10.1%
Timber (state share)	0	(0)	(0.0)	NA
Other	21,124	25,082	3,957	18.7%
Department of Licensing (4)	5,282	5,522	241	4.6%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,125,964	\$982,778	(\$143,186)	-12.7%

1 Collections June 11 - July 10, 2005. Collections primarily reflect May 2005 activity of monthly taxpayers.

2 June 1-30, 2005 collections.

3 Cumulative collections, estimates and variance since the June 2005 forecast; (June 11 - July 10, 2005) and revisions to history.

4 Cumulative collections, estimates and variance since the June 2005 forecast; (June 2005) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the June 2005 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
June 10, 2005 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
May 11 - June 10, 2005				
Department of Revenue-Total	\$1,296,418	\$1,296,418	(\$0)	-0.0%
Revenue Act (1)	740,157	740,157	(0)	-0.0%
Non-Revenue Act(2)	556,261	556,261	0	0.0%
Liquor Sales/Liter	8,541	8,540	(1)	-0.0%
Cigarette	4,318	4,116	(202)	-4.7%
Property (State School Levy)-net	440,603	440,603	0	0.0%
Property tax collections	454,044	454,045	1	0.0%
transfer to the Student Achievement Acct.	(13,441)	(13,441)	(0)	NA
Estate	1,978	1,978	(0)	-0.0%
Real Estate Excise	72,767	72,767	0	0.0%
Timber (state share)	2,140	2,140	0	NA
Other	25,913	26,116	203	0.8%
Department of Licensing (2)	4,170	4,138	(32)	-0.8%
Lottery (2)	0	0	0	NA
Total General Fund-State***	1,300,588	1,300,556	(\$32)	-0.0%

Cumulative Receipts: March 11 - June 10, 2005 & Revisions to History

Department of Revenue-Total	3,010,701	\$3,010,701	(\$0)	-0.0%
Revenue Act (3)	2,255,178	2,255,178	0	0.0%
Non-Revenue Act(4)	755,522	755,522	0	0.0%
Liquor Sales/Liter	24,588	24,487	(101)	-0.4%
Cigarette	12,929	12,447	(482)	-3.7%
Property (State School Levy)-net after transfer	479,451	479,451	0	0.0%
Property tax collections	536,883	536,883	0	0.0%
transfer to the Student Achievement Acct.	(57,432)	(57,432)	0	NA
Estate	6,658	6,658	0	0.0%
Real Estate Excise	184,923	184,898	(25)	-0.0%
Timber (state share)	2,140	2,140	0	NA
Other	44,833	45,440	607	1.4%
Department of Licensing (4)	9,229	10,265	1,036	11.2%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$3,019,930	\$3,020,966	\$1,036	0.0%

Preliminary. Reported in the June 10, 2005 collection report.

1 Collections May 11 - June 10, 2005. Collections primarily reflect April 2005 business activity of monthly taxpayers.

2 May 1-31, 2005 collections.

3 Cumulative receipts since the March 2005 forecast: March 11- June 10,2005 & revisions to history.

4 Cumulative receipts since the March 2005 forecast (March - May 2005) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections

Year-over-Year Percent Change

